

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 AGRE-00

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R 091158Z SEP 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8249

INFO AMCONSUL BOMBAY POUCH

AMCONSUL CALCUTTA POUCH

AMCONSUL MADRAS POUCH

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E.O. 11652: N/A

TAGS: USINJC, ETRD, EINV, US, IN

SUBJECT: INDIAN EMBASSY NOTE ON INDO-US ECONOMIC AND
COMMERCIAL SUBCOMMISSION

REF: STATE 219641

1. EMBASSY NOTES GOI IS SUGGESTING NEXT SUBCOMMISSION
MEETING BEFORE HAVING ANOTHER FULL JOINT COMMISSION MEETING.
THIS IS FINE WITH US, AND WE HAVE NO PROBLEM HERE WITH A
MEETING RELATIVELY EARLY NEXT YEAR.

2. NOTE REFERS TO NECESSITY OF MAKING SUBCOMMISSION MORE
OPERATION-ORIENTED. HOWEVER, THIS FORUM WAS MEANT TO BE
CONSULTATIVE IN NATURE AND NOT OPERATIONAL. WE WOULD ALSO
LIKE MORE RESULTS FROM THE MEETINGS OF COURSE, AND IN THIS
REGARD DCM, WHO IS NOW ON CONSULTATION IN DEPARTMENT, HAS LIST
OF ACTIONS PROMISED AT LAST SUBCOMMISSION MEETING. IF A
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COMPARISON IS MADE OF PROMISES TWO SIDES, WE BELIEVE USG

HAS BEEN MORE "ACTION-ORIENTED" THAN GOI.

3. APPARENTLY INDIAN EMBASSY NOT AWARE OF JOINT BUSINESS COUNCIL PLANS TO HOLD JOINT EXECUTIVE SESSION IN NEW DELHI IN NOVEMBER, AND THAT US SECTION HAS SUGGESTED NEXT FULL MEETING FOR APRIL IN NIAGARA FALLS. STATEMENT IN NOTE COMPLAINS DIRECT CONTACTS BETWEEN US AND INDIAN SECTION JBC "NOT AS FREQUENT AS ONE WOULD HOPE FOR." TWO MEETINGS A YEAR IN OUR VIEW IS A VERY ACTIVE SCHEDULE FOR BUSY EXECUTIVES OF BOTH COUNTRIES. FURTHER, WE SHOULD AVOID GETTING OURSELVES IN THE MIDDLE BETWEEN JBC AND GOI WITH RESPECT TO FREQUENCY OF MEETINGS. JBC, WE BELIEVE, SHOULD PROCEED AT ITS OWN PACE.

4. THE FURTHER STATEMENT IN SAME SECTION (2) THAT DISCUSSIONS "HAVE NOT MADE THE NECESSARY POSITIVE IMPACT ON THE US BUSINESS COMMUNITY", LEAVES US FLABERGASTED. IN OUR VIEW THE REGULATIONS AND CONDITIONS GOVERNING FOREIGN INVESTMENT IN INDIA HAVE NOT IMPROVED TO THE POINT WHERE U.S. PRIVATE INDUSTRY SHOULD BE ENCOURAGED TO INVEST IN INDIA. A RECENT PRESS ANNOUNCEMENT THAT 138 FOREIGN FIRMS HAVE BEEN ASKED TO REDUCE THEIR FOREIGN EQUITY TO 40 PERCENT IS NOT CONDUCIVE TO IMPROVING THE CLIMATE. OTHER TOUGH FERA CASES, SUCH AS IBM AND COCA COLA, REMAIN TO BE NEGOTIATED. THERE HAS STILL NOT BEEN MUCH PROGRESS ON PROBLEMS SUCH AS DELAYS IN REMITTANCES, DIFFICULTIES IN OBTAINING IMPORT PERMITS AND PRESSURES TO FULFILL EXPORT QUOTAS. US SECTION OF JBC HAS RECENTLY SENT LETTER TO FIVE GOI OFFICIALS SEEKING RELIEF FOR SEVERAL OUTSTANDING PROBLEMS OF US FIRMS IN INDIA. WE ARE NOT AWARE OF A RESPONSE. WE ARE AWARE THAT US BUSINESSES IN INDIA, IN MANY CASES, FIND DOING BUSINESS HERE DIFFICULT, AND GOI CONTINUES TO BE AMBIVALENT IN ITS ATTITUDE TOWARD FOREIGN INVESTMENT. USG IN FACT HAS NOT TRANSLATED THIS ATMOSPHERE TO US BUSINESS COMMUNITY BUT, ON CONTRARY, HAS ENCOURAGED COMPANIES TO EXPLORE THE POTENTIAL. BEYOND THAT, HOWEVER, THE ONLY EFFECTIVE ENCOURAGEMENT CAN ONLY BE POLICIES AND ATTITUDES OF THE HOST GOVERNMENT TOWARD FOREIGN FIRMS, AND MORE AGGRESSIVE INDIAN EFFORT - PRIVATE AND GOVERNMENT - WITH US COMPANIES. RECENT CONTINENTAL BANK (CHICAGO) VISITORS TOLD US INDIAN EMBASSY IN RECENT YEARS HAD NOT LIMITED OFFICIAL USE

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MADE ANY EFFORT, AS HAD BEEN DONE EARLIER, TO INTEREST US FIRMS IN INDIAN MARKET FOR TRADE AND INVESTMENT.

5. US TEXTILE POSITION VIS A VIS INDIAN REQUEST ALREADY CLEAR. WE WONDER IF STATEMENT IN NOTE (SECTION 3) READING, "IT IS NECESSARY THAT QUOTAS UNDER BILATERAL AGREEMENT ARE REASSIGNED ON A PRACTICAL FOOTING..." MEANS WITHIN US-INDIA BILATERAL AGREEMENT ONLY, OR DOES IT MEAN GENERAL REDISTRI-

BUTION OF QUOTAS. LATTER MEANING WAS IMPLIED DURING RECENT TEXTILE TALKS HELD HERE LAST MONTH.

6. ON MTN TROPICAL PRODUCTS, THIS SUBJECT ALSO HAS LONG BEEN DISCUSSED AND POSITIONS TAKEN BY USG CLEARLY KNOWN.

7. ON GSP, INDIA CONTINUES VIEW PREFERENTIAL TREATMENT AS MEANS INCREASING ITS EXPORTS OF ITEMS IN WHICH IT ALREADY COMPETITIVE, MORE THAN AS DEVELOPMENTAL SCHEME TO IMPORVE THEIR EXPORT APABILITY. THE GOI READILY ADMITS THAT THE US GSP SCHEME IS THE MOST FAVORABLE INSTITUTED BY ANY DEVELOPED COUNTRY AS IT IS VOID OF QUOTAS AND PARTIAL IMPORT DUTY REDUCTIONS. THE U.S. SCHEME OFFERS WIDE SCOPE FOR DIVERSIFY-ING INDIAN EXPORTS TO THE U.S. WE ARE DISAPPOINTED THAT THE GOI HAS NOT ENCOURAGED ITS EXPORTERS TO DO THIS, BUT HAS CONCENTRATED ITS EFFORTS ON INCREASING EXPORTS OF TRADITIONAL ITEMS IN WHICH IT IS ALREADY COMPETITIVE.

8. ON PROBLEM EXPORT ASIAN IVORY, DEPARTMENT BEST JUDGE OF WHAT IS POSSIBLE IN THIS REGARD. HOWEVER, WE BELIEVE PROBLEM WAS EXACERBATED BY FACT USG BAN ON IMPORT IVORY FROM INDIA WAS NOT KNOWN HERE UNTIL TWO WEEKS AFTER THE FACT. NORMALLY WE RECEIVE AIRGRAM ADVICE THAT HEARINGS ARE TO BE HELD BY THE DEPARTMENT OF INTERIOR WITH RESPECT TO THE INCLUSION OF A GIVEN ITEM ON THE ENDANGERED SPECIES LIST. THAT THIS WAS NOT DONE RESULTED IN MANY CONSIGNMENTS BEING HELD BY U.S. CUSTOMS AND A STREAM OF TRADE COMPLAINTS TO THE EMBASSY. THE STATEMENT THAT PRACTICALLY ALL EXPORT TRADE IN IVORY IS RE-WORKED OR AFRICAN IVORY IS ESSENTIALLY TRUE, BASED ON OUR CONVERSATIONS WITH THE TRADE. WE THINK THAT WE ARE A LITTLE VULNERABLE HERE, GIVEN THIS FACT AND THE PRECIPITOUS NATURE OF OUR ACTION.

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9. GIVEN THE ISSUES GOI HAS RAISED AND THEIR COMPLEXITY, ONLY IMMEDIATE RESPONSE CAN BE TO RESTATE US POSITIONS AND SUGGEST CONTINUED EFFORTS IN VARIOUS FORA TO SOLVE PROBLEMS INCLUDING, IF NECESSARY, ANOTHER SUBCOMMISSION MEETING. IF ON OTHER HAND, USG PREPARED TO ACCEPT A SUBCOMMISSION MEETING EARLY NEXT YEAR, WE SUGGEST OUR RESPONSE COULD BE IN FORM OF ACKNOWLEDGEMENT OF THEIR NOTE AND LIST OF OUR PROBLEMS WITH INDIA. THIS WOULD THEN AMOUNT TO SUGGESTED AGENDA FOR NEXT MEETING.

10. IF LATTER COURSE IS ADOPTED, WE SUGGEST ITEMS SHOULD

INCLUDE FERA, PHARMACEUTICALS, DISCRIMINATORY PRACTICES IN AIRLINE INDUSTRY, COMMODITY CONSULTATIONS AND OTHER MULTILATERAL ISSUES INCLUDING MTN (TP AS WELL AS OTHER ISSUES),

CIEC (OR ITS SUCCESSOR), OTHER TRADE AND INVESTMENT PROBLEMS.
EMBASSY WOULD BE PLEASED DETAIL THESE ISSUES IF DEPARTMENT
WISHES.

11. IF DEPT WISHES TO BROADEN THE FRAMEWORK OF RESPONSE TO
INDIAN NOTE SOMEWHAT, IT COULD MENTION SLOW BUREAUCRATIC
PROGRESS IN INDIA ON SCIENTIFIC PROJECTS (INCLUDING AGRICULTURE)
AWAITING APPROVAL BY THE GOI AND POTENTIALLY ADVERSE EFFECT
THIS MAY HAVE ON ENTHUSIASM OF US AGENCIES AND ORGANIZATIONS
IN PRESSING AHEAD WITH PREPARATIONS FOR NEW PROJECTS.
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